

# Mobilizing Private Sector Finance for Electricity

FOMILENIO, the entity established by the Government of El Salvador to implement El Salvador's Compact, has successfully attracted private sector financing and investment to complement its compact grant.

In May 2009, the FOMILENIO board approved a \$33 million contract with local subsidiaries of Arlington, Virginia-based AES Corporation involving private co-financing, construction, and operation of electricity distribution networks. The project supports 1,300 kilometers of new rural electrification lines, connections, and extensions of existing lines throughout the Northern Zone in El Salvador. At the time of the contract signature, it was estimated that along with a previous contract for 115 kilometers of new lines, the projects would enable electricity grid access to over 30,000 mostly poor families in the area who are currently without power. MCC and the Government of El Salvador are funding up to 85 percent of the projected investment in the electrification efforts, with contributions from the executing entity, AES El Salvador, comprising the balance of 15 percent.

AES El Salvador Vice President Miguel E. Bolinaga Serfaty says, "The rural electricity connection projects have developed within a professional and transparent process. Given the size and importance of the project, the two teams have developed a good relationship and coordination, complying with expectations in terms of time and quality. A well established project implementation system has been structured, allowing us to comply with the different stages of the contract expeditiously. It has been a satisfactory experience."

Access to electricity is anticipated to result in immediate financial savings to the beneficiaries, and is expected to increase household productivity significantly. Once electric lines are brought to the communities, homes are expected to save approximately \$6 to \$25 on a monthly basis. This line extension activity is in addition to the solar panel activity described in the MCC "Making Headway" story *Lighting the Way to Economic Growth with Green Energy*.

AES El Salvador's Serfaty adds, "At AES El Salvador we understand that electrical power, our business, is no doubt at the heart of the great global challenges. Therefore it is essential to ease access to electricity to those in greater need, inform and educate on the rational and safe use of electricity, as well as to generate concrete actions to conserve the environment. At AES El Salvador we act concretely to give sustainability to these initiatives which are also part of our entrepreneurial objectives."

